
Finance Committee

HB 3362

Brief Description: Providing tax incentives to encourage businesses to purchase highly energy efficient equipment.

Sponsors: Representative Kelley.

Brief Summary of Bill

- Establishes a B&O tax credit for sales/use taxes paid by certain small businesses on specified energy-efficient appliances.

Hearing Date: February 12, 2008.

Staff: Don Taylor (786-7388).

Background:

Washington's principal tax on businesses is the state business and occupation (B&O) tax. The B&O tax applies to the gross receipts derived from engaging in business. Although the tax does not reflect the cost of doing business, there are a variety of exemptions, deductions and other tax incentives permitted by law. Major tax rates are 0.484 percent for manufacturing and wholesaling; 0.471 percent for retailing; and 1.5 percent for services; several lower rates also apply to specific business activities. The B&O tax generates about 16 percent of all state tax collections; most of the receipts are deposited in the State General Fund.

Energy Star: In 1992, the United States Environmental Protection Agency (EPA) introduced Energy Star as a voluntary labeling program designed to identify and promote energy efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. In 1995, the EPA expanded the label to additional office equipment products and residential heating and cooling equipment. The Energy Star label is now on major appliances, office equipment, lighting, home electronics, and other products. The EPA has also extended the label to cover new homes and commercial and industrial buildings.

Consortium for Energy Efficiency (CEE): The CEE is a nonprofit organization comprised of energy- efficiency organizations; electric, gas, and water utilities; research and development

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organizations; state and provincial energy offices in the U.S. and Canada; and regional energy programs. The CEE promotes the use of energy-efficient products, technologies, and services. The CEE has adopted specifications for various levels of energy savings for a variety of products.

Summary of Bill:

A new credit is adopted against state B&O tax for certain small businesses for the amount of state and local retail sale/use tax paid on certain types of commercial appliances which carry Energy Star or CEE ratings for energy-efficiency:

- a. Freezers and refrigerators
- b. Washing machines
- c. Ice makers
- d. Gas convection ovens
- e. Deep fat fryers
- f. Hot food holding cabinets
- g. Steam cookers

Eligible purchases of energy-efficient appliances must be made on or after July 1, 2008, and before July 1, 2010. To qualify for the credit, the firm's gross income for the prior calendar year must not exceed \$750,000. Further, there is a cap on the amount of credit granted to all taxpayers of \$750,000.

The Department of Community, Trade and Economic Development (CTED) is required to report on the energy and cost savings as a result of this tax incentive. The CTED report is due to the Legislature on December 30, 2010.

The B&O tax credit expires on July 1, 2010.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2008.